



**GREATER
KOKSTAD
MUNICIPALITY**

PROVINCE OF KWAZULU-NATAL

Greater Kokstad Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

LEGAL FORM OF ENTITY	Local Municipality
MEMBERS OF THE COUNCIL	
Cllr NT Jojozi	Mayor
Cllr ZA Mhlongo	Speaker
Cllr BM Mtolo	Deputy Mayor
Cllr NC Nyembezi	Member of Executive Committee
Cllr PX Xelitole	Member
Cllr TM Mohlakoana	Member
Cllr LJ Sithole	Member
Cllr MM Nondabula	Member
Cllr TO Madikizela	Member
Cllr NT Mqikela	Member
Cllr MNL Madikela	Member
Cllr V Ncukana	Member
Cllr N Mavuka	Member
Cllr P Nocanda	Member
Cllr MN Dlakavu	Member
Cllr KJ Walker	Member
GRADING OF LOCAL AUTHORITY	Level 7
MUNICIPAL MANAGER	Mr. Z.J Mkhize
CHIEF FINANCIAL OFFICER (CFO)	Mrs N.D Gqola
PHYSICAL ADDRESS	75 Hope Street Kokstad 4700
POSTAL ADDRESS	P O Box 08 Kokstad 4700
BANKERS	FNB
AUDITORS	Auditor General South Africa (AGSA)
TELEPHONE NUMBER	039- 797- 6600
FAX NUMBER	039-797-3676

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Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 57 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

Municipal Manager
Mr Z.J.Mkhize
31August 2015

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 R
ASSETS			
Current Assets			
Cash and cash equivalents	2	52,715,848	13,522,547
Trade Receivables	3	24,802,200	14,616,323
Receivables from non-exchange transactions	4	14,241,445	1,537,516
Inventories	5	366,901	314,230
Prepayments	6	363,088	429,905
VAT receivable	7	-	1,342,432
		92,489,482	31,762,953
Non-Current Assets			
Property, plant and equipment	8	477,046,801	481,955,661
Intangible assets	9	872,237	25
Investment property	10	24,141,582	22,801,496
Heritage assets	11	1,232,325	1,232,325
		503,292,945	505,989,507
Non-current assets held for sale and assets of disposal groups		-	741,600
Total Assets		595,782,427	538,494,060
LIABILITIES			
Current Liabilities			
Consumer deposits	13	3,954,658	3,966,281
Payables from exchange transactions	12	23,925,956	27,792,135
Provisions	14	2,168,837	4,378,768
Unspent conditional grants and receipts	15	7,764,415	4,783,230
Current portion of long term borrowings	16	897,472	797,076
Finance lease obligation	17	2,346,957	2,024,819
Deferred income		1,250,000	1,250,000
VAT payable	50	85,207	-
		42,393,502	44,992,309
Non-Current Liabilities			
Borrowings	16	490,606	1,388,077
Finance lease obligation	17	3,021,017	5,530,363
Employee benefit obligation	38	19,103,957	15,998,295
		22,615,580	22,916,735
Total Liabilities		65,009,082	67,909,044
Net Assets			
Accumulated surplus		530,773,345	470,585,016

Greater Kokstad Local Municipality

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Statement of Financial Performance

	Note(s)	2015 R	2014 R
Revenue			
Revenue from exchange transactions			
Service charges	20	104,894,422	96,956,761
Rental of facilities and equipment	23	757,143	687,725
Licences and permits		3,473,497	3,346,743
Fees earned		293,678	872,435
Other income	21	2,810,005	745,996
Interest received - investment	22	1,995,639	1,049,476
Total revenue from exchange transactions		114,224,384	103,659,136
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	85,160,680	83,222,528
Interest received - outstanding receivables	19	2,968,728	2,543,129
Transfer revenue			
Government grants & subsidies	24	108,908,528	86,654,894
Public contributions and donations	25	19,500	176,069
Fines		12,142,114	1,262,661
Provision for bad debts recovery		1,358,807	3,647,661
Total revenue from non-exchange transactions		210,558,357	177,506,942
Total revenue	18	324,782,741	281,166,078
Expenditure			
General Expenses	26	(49,003,555)	(44,639,635)
Employee costs	27	(84,051,152)	(85,920,146)
Remuneration of councillors	28	(4,850,528)	(4,554,910)
Depreciation and amortisation	29	(37,977,837)	(38,274,713)
Impairment loss		-	(305,345)
Finance costs	30	(2,420,750)	(2,657,276)
Bulk purchases	31	(68,479,343)	(60,069,549)
Debt impairment	32	(119,991)	(12,762,825)
Repairs and maintenance		(5,582,405)	(1,767,104)
Total expenditure		(252,485,561)	(250,951,503)
Operating surplus (deficit)		72,297,180	30,214,575
Fair value adjustments	44	748,486	640,246
Surplus for the year		73,045,666	30,854,821

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2013	439,580,195	439,580,195
Changes in net assets		
Other changes and movements	150,000	150,000
Net income recognised directly in net assets	150,000	150,000
Surplus for the year	30,854,821	30,854,821
Total recognised income and expenses for the year	31,004,821	31,004,821
Total changes	31,004,821	31,004,821
Balance at 01 July 2014	470,585,013	470,585,013
Changes in net assets		
Intangibles	1,308,318	1,308,318
Transfers	(14,015,652)	(14,015,652)
200120	(150,000)	(150,000)
Net income (losses) recognised directly in net assets	(12,857,334)	(12,857,334)
Surplus for the period	73,045,666	73,045,666
Total recognised income and expenses for the year	60,188,332	60,188,332
Total changes	60,188,332	60,188,332
Balance at 30 June 2015	530,773,345	530,773,345

Note(s)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

	Note(s)	2015 R	2014 R
Cash flows from operating activities			
Receipts			
Taxes		89,557,047	83,701,959
Sale of goods and services		102,995,893	115,421,167
Grants		111,889,713	88,195,695
Interest income		1,995,639	1,049,476
Other receipts		12,295,527	560,447
		<u>318,733,819</u>	<u>288,928,744</u>
Payments			
Employee costs		(94,217,273)	(86,916,109)
Suppliers		(120,412,338)	(129,542,594)
Finance costs		(2,420,750)	(2,657,276)
		<u>(217,050,361)</u>	<u>(219,115,979)</u>
Net cash flows from operating activities	33	101,683,458	69,812,765
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(91,247,882)	(37,556,882)
Proceeds from sale of property, plant and equipment	8	35,682	1,403
Net cash flows from investing activities		(91,212,200)	(37,555,479)
Cash flows from financing activities			
Movement in borrowings		(797,075)	(705,829)
Finance lease movement		(2,187,208)	(2,097,256)
Net cash flows from financing activities		(2,984,283)	(2,803,085)
Net increase/(decrease) in cash and cash equivalents		7,486,975	29,454,201
Cash and cash equivalents at the beginning of the year		13,522,547	(523,290)
Cash and cash equivalents at the end of the year	2	21,009,522	28,930,911

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Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. council approved policy) R	Final budget R	Actual outcome R	Unauthorised expenditure R	Variance R
2015									
Financial Performance									
Property rates	88,435,000	-	88,435,000	-		88,435,000	85,160,680		(3,274,320)
Property rates -penalties imposed	1,910,000	(1,910,000)	-	-	-	-	-		-
Rental of facilities and equipment	738,000	60,000	798,000	-		798,000	757,143		(40,857)
Licences and permits	3,307,000	-	3,307,000	-		3,307,000	3,473,497		166,497
Service charges	106,933,000	3,883,000	110,816,000	-		110,816,000	104,894,422		(5,921,578)
Investment revenue	1,090,000	1,200,000	2,290,000	-		2,290,000	1,995,639		(294,361)
Fines	201,000	932,000	1,133,000	-		1,133,000	1,061,639		(71,361)
Other revenue	2,710,000	1,491,000	4,201,000	-		4,201,000	1,599,289		(2,601,711)
Transfers recognised - operational interest - outstanding debtors	53,676,000	1,000,000	54,676,000	-		54,676,000	53,230,016		(1,445,984)
	-	3,241,000	3,241,000	-		3,241,000	2,968,728		(272,272)
Total revenue (including capital transfers and contributions)	259,000,000	9,897,000	268,897,000	-		268,897,000	255,141,053		(13,755,947)
Employee costs	(84,514,000)	624,000	(83,890,000)	-	-	(83,890,000)	(83,277,016)	-	612,984
Remuneration of councillors	(5,087,000)	(622,000)	(5,709,000)	-	-	(5,709,000)	(4,850,528)	-	858,472
Debt impairment	(15,000,000)	2,000,000	(13,000,000)			(13,000,000)	(119,991)	-	12,880,009
Depreciation and asset impairment	(42,000,000)	-	(42,000,000)			(42,000,000)	(38,654,248)	-	3,345,752
Finance charges	(1,053,000)	(1,527,000)	(2,580,000)	-	-	(2,580,000)	(2,418,704)	-	161,296
Materials and bulk purchases	(75,642,000)	-	(75,642,000)	-	-	(75,642,000)	(68,479,343)	-	7,162,657
Transfers and grants	(5,000,000)	-	(5,000,000)	-	-	(5,000,000)	4,432,754	-	9,432,754

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Appropriation Statement

	Original budget R	Budget adjustments (i.t.o. s28 and s31 of the MFMA) R	Final adjustments budget R	Shifting of funds (i.t.o. s31 of the MFMA) R	Virement (i.t.o. council approved policy) R	Final budget R	Actual outcome R	Unauthorised expenditure R	Variance R	Actual outcome as % of final budget R	Actual outcome as % of original budget R
Other expenditure	(27,448,000)	6,840,000	(20,608,000)	-	-	(20,608,000)	(46,177,178)	-	(25,569,178)		
Contract Services	(15,953,000)	(5,081,000)	(21,034,000)	-	-	(21,034,000)	-	-	21,034,000		
Total expenditure	(271,697,000)	2,234,000	(269,463,000)	-	-	(269,463,000)	(239,544,254)	-	29,918,746		
Surplus/(Deficit)	(12,697,000)	12,131,000	(566,000)	-		(566,000)	15,596,799		16,162,799		
Transfers recognised - capital	48,545,000	-	48,545,000	-		48,545,000	55,678,512		7,133,512		
Surplus (Deficit) after capital transfers and contributions	35,848,000	12,131,000	47,979,000	-		47,979,000	71,275,311		23,296,311		
Surplus/(Deficit) for the year	35,848,000	12,131,000	47,979,000	-		47,979,000	71,275,311		23,296,311		

Capital expenditure and funds sources

Total capital expenditure	(64,632,000)	4,575,000	(60,057,000)	-	(60,057,000)	-	60,057,000
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Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Standards issued but not effective

Basis of consolidation

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:
GRAP 20 Related Party Disclosures

GRAP 32 Service Concession Arrangements

GRAP 105 Transfer of Function Between Entities Under Common Control

GRAP 106 Transfer of Function Between Entities Not Under Common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 17 Service Concession arrangements where a Grantor controls a significant residual interest in an Asset

Adoption of these standards will have no material impact on future financial periods..

The following GRAP Standard has been approved but it is not required to be applied:

GRAP 18 Segment Reporting

1.4 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction cost once it meets the definition of investment property. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably

The cost of self-constructed investment property is the cost at date of completion.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Investment property (continued)

Subsequent measurement -Fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Derecognition

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.5 Property, plant and equipment

1.5.1 Initial recognition

Property, plant and equipment are tangible non-current assets (Including infrastructure assets) that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

1.5.2 Initial measurement

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. These assets have been revalued in line with the transitional provisions, Directive 4, and have been recorded at Depreciated Replacement Cost. The cost of items of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.5.3 Subsequent Measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.4 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have useful lives are depreciated separately.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Property, plant and equipment (continued)

Land is not depreciated as it is deemed to have an indefinite useful life.

Capital work in progress is not depreciable until it is transferred to the applicable property, plant and equipment category once it is ready and available for its intended use.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) and an impairment amount is charged to the Statement of Financial Performance.

The annual depreciation rates are based on the following estimated average asset lives.

Item	Average useful life
Buildings	80- years
Motor vehicles	5 - 7 years
Infrastructure	
• Roads and pavings	20 years
• Bridges	30 years
• Storm water	15 years
• Gravel	20 years
• Substation and Transformers	40 years
• Poles, Cables and Lights	15 - 25 years
• Robots	10 years
Community	
• Buildings	80 years
• Recreational facilities	5 years
• Security system	5 years
• Dams	1 - 15 years
• Libraries	80 years
• Parks and Gardens	10 years
• Cemeteries	5 years
• Community centres	5 - 20 years
Other property, plant and equipment	
• Emergency equipment	5 years
• Landfill sites	15 years
• Office equipment	7 years
• Furniture and Fittings	7-10 years
• Bins and containers	5 years
• Computer equipment	3 - 5 years

1.5.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Heritage assets

Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

Initial Measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent Measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Derecognition

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Initial recognition

The municipality changed its accounting policy for intangible assets in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 9. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 9.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.8 Intangible Assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development."

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Residual value of intangible assets is estimated to be zero. Fully depreciated assets which are still in use are not written off.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 - 5 years
-------------------	-------------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Consumer Debtors
- Certain Other Debtors.
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the categories allowed by this standard:

Accounting Policies

1.9 Financial instruments (continued)

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets held at amortised cost.

Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and other payables
- Bank Overdraft
- Short-term loans

Financial Liabilities of the municipality are classified into the following category as allowed by this standard

Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

Initial and Subsequent Measurement

Financial Assets:

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less, any impairment, with interest recognised on an effective yield basis in surplus /deficit.

Financial assets are recognised on the trade date at which the municipality becomes party to the contractual provisions of the instrument.

Financial Liabilities

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

An allowance for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year.

An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

Derecognition of Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.10 Leases

The Municipality as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payment, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Measurement

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies application to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies related to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful lives or the lease term.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Leases (continued)

The Municipality as Lessor

Recognition

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivables is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies related to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised in a straight- line basis over the term of relevant lease.

Measurement.

Operating leases - lessee

Payments made under operating leases are charged to the statement of financial position on a straight line basis over the period of the lease

Operating leases - lessor

Assets leased to third parties under operating lease are included in investment property in the Statement of Financial Position. The assets are depreciated over their expected useful lives on a basis consistent with similar owned investment property. Rental income is recognised over the lease terms.

Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.11 Inventories

Initial recognition & measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Inventories (continued)

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.12 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Post-employee benefits

1.17 Provisions

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Provisions (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Revenue from exchange transactions

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.20 Value Added Taxation

The Municipality accounts for Value Added Tax on the payment basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.22 Unauthorised expenditure

Unauthorised expenditure is an expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is an expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	12,333	12,333
Bank balances	1,726,837	4,162,928
Call deposits	50,976,678	9,347,286
	52,715,848	13,522,547

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
FNB - 527 2002 4258- Primary Account	3,660,333	3,758,685	1,726,837	4,162,928
FNB - 62049947825	10,346,476	60,001	10,346,476	60,001
FNB - 62295218947	474,012	3,422	-	3,423
FNB - 62068102682	26,401	26,693	26,401	26,692
FNB - 62089372868	2,607,114	2,153,484	1,298,136	2,153,484
FNB - 62089927663	621,199	1,184	337,795	1,184
FNB - 62191701476	638,355	61,599	7,355	61,599
FNB - 62103689230	1,205,470	1,243,325	1,205,470	1,243,325
FNB - 62190248221	1,986,714	1,819,417	1,986,714	1,819,416
STD - 308644085	1,680,436	3,084,682	1,680,435	3,084,682
NED - 037165013687	63,044	439,105	-	439,105
FNB - 62300641611	4,161	2,133	4,161	2,133
NED - 71165013660	323,986	48,962	323,986	48,962
NED - 037165014276	247,360	403,280	247,360	403,280
ABSA - 2074836976	10,316,283	-	10,316,283	-
Standard bank reserve account	10,321,267	-	10,321,267	-
Nedbank reserves account	10,297,189	-	10,297,189	-
Excellence awards	63,322	-	63,044	-
DOE- 638515580-001	2,513,606	-	2,514,606	-
Total	57,396,728	13,105,972	52,703,515	13,510,214

3. Trade receivables

Gross balances

Rates from non exchange transactions	18,800,210	15,960,366
Electricity from exchange transactions	10,426,842	6,763,497
Refuse from exchange transactions	9,202,771	6,295,729
Fire Levy from exchange transactions	9,262,432	4,706,351
Add : Debtors with credit balances	2,903,724	3,903,724
	50,595,979	37,629,667

Less: Allowance for impairment

Rates from non exchange transactions	(14,296,988)	(12,755,842)
Electricity from exchange transactions	(584,435)	(521,435)
Refuse from exchange transactions	(5,991,528)	(5,345,670)
Business service levies	10	-
Fire Levy from exchange transactions	(4,920,839)	(4,390,397)
	(25,793,780)	(23,013,344)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
3. Trade receivables (continued)		
Net balance		
Rates from non exchange transactions	4,503,222	3,204,524
Electricity from exchange transactions	9,842,408	6,242,062
Refuse from exchange transactions	3,211,243	950,059
Business service levies	10	-
Fire Levy from exchange transactions	4,341,593	315,954
Add: Debtors with credit balances	2,903,724	3,903,724
	24,802,200	14,616,323
Rates from non exchange transactions		
Current (0 -30 days)	2,601,593	2,891,041
31 - 60 days	1,357,387	1,367,694
61 - 90 days	656,615	645,789
91 - 120 days	431,493	461,705
121 - 365 days	13,753,121	10,594,137
	18,800,209	15,960,366
Electricity from exchange transactions		
Current (0 -30 days)	5,637,711	5,368,579
31 - 60 days	1,173,212	761,310
61 - 90 days	509,245	113,743
91 - 120 days	371,995	86,797
121 - 365 days	2,734,679	433,068
	10,426,842	6,763,497
Refuse from exchange transactions		
Current (0 -30 days)	1,218,269	942,061
31 - 60 days	836,813	564,488
61 - 90 days	688,802	348,561
91 - 120 days	607,720	291,554
121 - 365 days	5,851,167	4,149,065
	9,202,771	6,295,729
Fire Levy from exchange transaction		
Current (0 -30 days)	991,446	913,637
31 - 60 days	459,822	281,592
61 - 90 days	385,516	(223,968)
91 - 120 days	329,993	(201,963)
121 - 365 days	7,095,654	3,937,052
	9,262,431	4,706,350

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
3. Trade receivables (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2,560,516	2,137,899
31 - 60 days	2,170,101	1,908,050
61 - 90 days	1,482,209	586,990
91 - 120 days	1,238,538	427,172
120 - 365 days	23,918,945	17,610,722
	<hr/>	<hr/>
	31,370,309	22,670,833
	2,903,724	3,903,724
	<hr/>	<hr/>
	34,274,033	26,574,557
Industrial/ commercial		
Current (0 -30 days)	6,461,045	6,108,480
31 - 60 days	1,647,998	1,064,178
61 - 90 days	752,107	306,388
91 - 120 days	499,054	233,620
121 - 365 days	635,438	173,135
> 365 days	5,002,677	1,673,044
	<hr/>	<hr/>
	14,998,319	9,558,845
National and provincial government		
Current (0 -30 days)	1,427,458	1,868,939
31 - 60 days	9,134	2,856
61 - 90 days	5,863	(9,253)
91 - 120 days	3,609	(22,698)
121 - 365 days	768	(5,045)
> 365 days	(123,205)	(338,534)
	<hr/>	<hr/>
	1,323,627	1,496,265
Total		
Current (0 -30 days)	10,449,019	10,115,318
31 - 60 days	3,827,234	2,975,084
61 - 90 days	2,240,179	884,125
91 - 120 days	1,741,200	638,094
121 - 365 days	29,434,623	19,113,322
	<hr/>	<hr/>
	47,692,255	33,725,943
Less: Allowance for impairment	2,903,724	3,903,724
	<hr/>	<hr/>
	(25,793,789)	(23,013,344)
	24,802,190	14,616,323
Less: Allowance for impairment		
Current (0 -30 days)	(2,720,064)	(2,464,206)
31 - 60 days	(1,300,899)	(1,178,532)
61 - 90 days	(2,838,327)	(2,571,345)
91 - 120 days	(768,714)	(696,406)
121 - 365 days	(17,774,809)	(16,102,855)
	<hr/>	<hr/>
	(25,402,813)	(23,013,344)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
3. Trade receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(23,013,344)	(25,402,813)
Reversal of allowance	(2,780,445)	2,389,469
	(25,793,789)	(23,013,344)

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	1,650,000	1,700,758
2 months past due	800,411	840,067
3 months past due	652,000	862,855

4. Receivables from non-exchange transactions

Sundry debtors	14,241,445	1,537,516
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5. Inventories

Stores and materials	366,901	314,230
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Inventories consists of consumables and fuels.

6. Prepayments

Premises		
Prepayments	362,075	429,905

Licence fees for computer software were prepaid.

7. VAT receivable

VAT	-	1,342,432
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VAT is declared on the receipt basis.

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	125,606,564	(85,315,030)	40,291,534	125,606,564	(83,366,247)	42,240,317
Motor vehicles	8,213,254	(5,831,214)	2,382,040	8,213,254	(4,322,060)	3,891,194
Infrastructure	540,551,613	(242,335,932)	298,215,681	527,315,976	(214,650,547)	312,665,429
Community	121,661,331	(87,331,842)	34,329,489	118,851,124	(84,768,655)	34,082,469
Other property, plant and equipment	23,323,079	(17,149,025)	6,174,054	23,359,627	(13,331,792)	10,027,835
Capital work in progress	95,654,003	-	95,654,003	79,048,417	-	79,048,417
Total	915,009,844	(437,963,043)	477,046,801	882,394,962	(400,439,301)	481,955,661

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Other changes, Depreciation movements	Total
Land and Buildings	42,240,317	-	-	- (1,948,783)	40,291,534
Motor vehicles	3,891,194	-	-	- (1,509,154)	2,382,040
Infrastructure	312,665,429	27,251,289	-	(14,015,652) (27,685,385)	298,215,681
Community	34,082,469	9,938,518	-	(7,128,312) (2,563,186)	34,329,489
Other property, plant and equipment	10,027,835	82,671	(35,682)	- (3,900,770)	6,174,054
Capital work in progress	79,048,417	53,975,404	-	(37,369,818)	95,654,003
	481,955,661	91,247,882	(35,682)	(58,513,782) (37,607,278)	477,046,801

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, Depreciation movements	Impairment loss	Total
Land and Buildings	42,727,477	1,421,372	-	-	- (1,908,532)	-	42,240,317
Motor vehicles	5,447,884	-	-	-	- (1,556,690)	-	3,891,194
Infrastructure	328,236,474	12,650,605	-	-	- (28,221,650)	-	312,665,429
Community	36,439,894	-	-	-	150,000 (2,507,425)	-	34,082,469
Other property, plant and equipment	14,350,992	24,917	(1,403)	-	- (4,041,326)	(305,345)	10,027,835
Capital work in progress	55,588,430	39,050,720	-	(15,590,733)	-	-	79,048,417
	482,791,151	53,147,614	(1,403)	(15,590,733)	150,000 (38,235,623)	(305,345)	481,955,661

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,382,040	3,891,194
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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9. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,180,556	(1,308,319)	872,237	2,180,556	(2,180,531)	25

Reconciliation of intangible assets - 2015

	Opening balance	Fair Value	Amortisation	Total
	25	1,308,318	(436,106)	872,237
Computer software				

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
	39,109	(39,084)	25
Computer software			

10. Investment property

	2015			2014		
	Cost / Valuation	Fair value adjustment	Carrying value	Cost / Valuation	Fair value adjustment	Carrying value
Investment property - Land & Buildings	23,393,096	748,486	24,141,582	22,161,250	640,246	22,801,496

Reconciliation of investment property - 2015

	Opening balance	Transfers	Fair value adjustments	Total
	22,801,496	591,600	748,486	24,141,582
Investment property - Land & Buildings				

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
	22,161,250	640,246	22,801,496
Investment property - Land & Buildings			

Details of valuation

The effective date of the revaluations was 01 July 2014. Revaluations were performed by an independent valuer, Mr Hendrik Coenraad Botha of HCB Property Valuers .Mr Hendrik Coenraad Botha is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The valuation was based on replacement costs as there is no comparable market data available.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R				
11. Heritage assets						
	2015	2014				
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum	1,232,325	-	1,232,325	1,232,325	-	1,232,325
Reconciliation of heritage assets 2015						
	Opening balance		Total			
Museum	1,232,325		1,232,325			
Reconciliation of heritage assets 2014						
	Opening balance		Total			
Museum	1,232,325		1,232,325			
12. Payables from exchange transactions						
Trade payables	784,732		4,386,026			
Accrued leave pay	5,164,511		5,261,783			
Other payables	11,697,966		9,148,731			
Add: Debtors with credit balances	2,930,031		3,913,041			
Retention	408,137		588,147			
Creditor accruals	2,940,579		4,494,407			
	23,925,956		27,792,135			
13. Consumer deposits						
Electricity	3,954,658		3,966,281			
14. Provisions						
Reconciliation of provisions - 2015						
	Opening Balance	Utilised during the year	Total			
Provision for performance bonus	4,378,768	(2,209,931)	2,168,837			
Reconciliation of provisions - 2014						
	Opening Balance	Additions	Utilised during the year	Total		
Provision for performance bonus	2,719,469	2,917,491	(1,258,192)	4,378,768		

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Horseshoe Township	1,293,814	1,243,325
Financial Management Grant	5,544	-
Municipal Infrastructure Grant	1,318,075	6,525
IDP Community participation	85,672	85,672
Peoples Housing Project 12 and 13	26,958	26,693
Shayamoya Eco- Complex	31,743	-
Small Town Rehabilitation	1,676,958	3,219,420
Industrial Park	128,865	-
Sports & Recreation	410,501	201,595
DOE	2,786,285	-
	7,764,415	4,783,230

Housing account:

The municipality is an implementing agent, it does not generate any proceeds from the construction of houses.

16. Borrowings

The following loan bears interest at 12.26% per annum, with bi-annual instalments of R327 267.29 in December and June. The loan is repayable by 31 December 2016 and the capital portion amounts to R1 388 077.

Carrying value

Current Portion	897,471	797,075
Non Current Portion	490,606	1,388,077
	1,388,077	2,185,152

17. Finance lease obligation

Minimum lease payments due

- within one year	2,852,662	2,984,661
- in second to fifth year inclusive	3,313,320	6,605,252
	6,165,982	9,589,913

less: future finance charges

Present value of minimum lease payments

5,367,974

7,555,182

Present value of minimum lease payments due

- within one year	2,346,957	2,024,819
- in second to fifth year inclusive	3,021,017	5,530,363
	5,367,974	7,555,182

Non-current liabilities

3,021,017

Current liabilities

2,346,957

5,367,974

7,555,182

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
18. Revenue		
Service charges	104,894,422	96,956,761
Rental of facilities and equipment	757,143	687,725
Licences and permits	3,473,497	3,346,743
Fees earned	293,678	872,435
Other income	2,810,005	745,996
Interest received - investment	1,995,639	1,049,476
Property rates	85,160,680	83,222,528
Interest received - outstanding receivables	2,968,728	2,543,129
Government grants & subsidies	108,908,528	86,654,894
Public contributions and donations	19,500	176,069
Fines	12,142,114	1,262,662
Recovery of provision	1,358,807	3,647,661
	324,782,741	281,166,078

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	104,894,422	96,956,761
Rental of facilities and equipment	757,143	687,725
Licences and permits	3,473,497	3,346,743
Donations received	293,678	872,435
Other income	2,810,005	745,996
	112,228,745	102,609,660

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	85,160,680	83,222,528
Interest received - outstanding receivables	2,968,728	2,543,129
Interest received - investment	1,049,476	432,490
Government grants & subsidies	108,908,528	86,654,894
Public contributions and donations	19,500	176,069
Fines	12,142,114	1,262,662
Recovery of provision	1,358,807	3,647,661
	211,607,833	177,939,433

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
19. Property rates		
Rates received		
Residential	21,644,627	40,041,440
Commercial	15,312,853	32,470,899
Public service infrastructure	58,829	41,567
Government	43,725,057	30,105,404
Industrial	7,827,245	8,382,387
Agriculture	3,297,802	3,250,809
Sectional titles	933,951	1,551,683
Less: Rates rebates	(7,639,684)	(32,621,661)
	<hr/>	<hr/>
Interest received - outstanding receivables	85,160,680	83,222,528
	<hr/>	<hr/>
	88,129,408	85,765,657
Valuations		
Residential	1,922,436,606	2,023,617,480
Commercial	507,529,995	534,242,100
Public benefit organisation	133,914,375	140,962,500
Municipal	52,854,580	55,636,400
Government	2,047,564,735	2,155,331,300
Industrial	274,754,820	289,215,600
Agricultural	912,827,165	960,870,700
Public service infrastructure	1,682,184	17,707,200
Multipurpose	18,901,865	19,896,700
	<hr/>	<hr/>
	5,872,466,325	6,197,479,980
20. Service charges		
Sale of electricity	88,434,283	86,010,669
Refuse removal	14,913,162	9,241,184
Other service charges	1,546,977	1,704,908
	<hr/>	<hr/>
	104,894,422	96,956,761
21. Other income		
Other Income	2,810,005	745,996
	<hr/>	<hr/>
22. Investment revenue		
Interest revenue		
Interest charged on trade and other receivables	1,995,639	1,049,476
	<hr/>	<hr/>
23. Rental of Facilities and Equipment		
Rental of facilities	652,378	586,445
Advertising	104,764	101,280
	<hr/>	<hr/>
	757,142	687,725

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies		
Operating grants		
Equitable share	47,616,000	47,950,000
MSIG Project Consolidate	934,000	890,000
FMG	1,694,456	1,550,000
DOE	2,213,715	-
Sport and Recreation	-	301,504
Expanded Public Works Programme	1,754,000	1,000,000
Shayamoya Eco Complex	12,523,680	1,209,510
Development of light ind. park	14,738,521	6,127,419
Arts and Culture	1,522,000	1,461,000
	82,996,372	60,489,433
Capital grants		
Small Town Rehabilitation	9,542,462	4,780,580
Municipal Infrastructure Grant	15,233,450	18,338,021
Housing	1,045,150	3,046,859
Sport and Recreation	91,094	-
	25,912,156	26,165,460
	108,908,528	86,654,893
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Housing		
Balance unspent at beginning	-	1,925,085
Current-year receipts	1,045,150	1,121,773
Conditions met - transferred to revenue	(1,045,150)	(3,046,858)
	-	-
This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld		
Financial Management Grant - FMG		
Current-year receipts	1,700,000	1,550,000
Conditions met - transferred to revenue	(1,694,456)	(1,550,000)
	5,544	-
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries.		
Municipal Infrastructure Grant - MIG		
Balance unspent at beginning	6,525	2,546
Current-year receipts	16,545,000	18,342,000
Conditions met - transferred to revenue	(15,233,450)	(18,338,021)
	1,318,075	6,525
This grant is used for road infrastructure as part of upgrading of infrastructure projects.		

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
Small Town Rehabilitation		
Balance unspent at beginning	3,219,420	-
Current-year receipts	8,000,000	8,000,000
Conditions met - transferred to revenue	(9,542,462)	(4,780,580)
	1,676,958	3,219,420

This grant is used for development in town like upgrading sidewalks, parkings and storm water drainage.

Peoples Housing Project 12 & 13

Balance unspent at beginning	26,693	26,425
Current-year receipts	266	268
	26,959	26,693

This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld.

Horseshoe Township

Balance unspent at beginning	1,243,325	1,199,600
Current-year receipts	50,489	43,725
	1,293,814	1,243,325

This grant is used for upgrading informal settlement areas within the Municipality. No funds were withheld.

MSIG Project Consolidate

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-

This grant is used for Ward Committee Participation, by-laws and policies and systems that support local government legislations. Municipal Audit outcome and General Valuation Roll. No funds were withheld.

Arts and culture

Current-year receipts	1,522,000	1,461,000
Conditions met - transferred to revenue	(1,522,000)	(1,461,000)
	-	-

This grant is used for the provision of staffing costs for Library services within the Municipality. No funds were withheld.

Sports and Recreation

Balance unspent at beginning	201,595	3,099
Current-year receipts	300,000	500,000
Conditions met - transferred to revenue	(91,094)	(301,504)
	410,501	201,595

This grant is used for upgrading and maintainance of Sports field. No funds were withheld.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
24. Government grants and subsidies (continued)		
IDP		
Balance unspent at beginning	85,673	85,673
This grant is for IDP compilation and processes.		
EPWP		
Current-year receipts	1,754,000	1,000,000
Conditions met - transferred to revenue	(1,754,000)	(1,000,000)
	-	-
Shayamoya eco complex		
Current-year receipts	12,555,423	1,209,510
Conditions met - transferred to revenue	(12,523,680)	(1,209,510)
	31,743	-
Light industrial park		
Current-year receipts	14,867,386	6,127,419
Conditions met - transferred to revenue	(14,738,521)	(6,127,419)
	128,865	-
DOE		
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(2,213,715)	-
	2,786,285	-
Conditions still to be met - remain liabilities (see note 15)		
25. Public contributions and donations		
Donations Received	19,500	176,069

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
26. General expenses		
Administration	-	94,111
Advertising	535,797	356,562
Auditors remuneration	3,408,158	3,117,052
Bank charges	475,119	682,529
Commission paid	1,014,716	232,250
Conferences and seminars	46,979	32,985
Consulting and professional fees	1,270,886	1,912,173
DSR expenditure	-	25,417
Collection costs	-	1,910,321
Departmental consumption	732,028	1,160,226
Bursaries	340,114	391,352
Electricity network	151,581	1,300,707
Financial management grant	843,007	3,282,639
Fuel and oil	2,942,089	2,634,158
Housing expenditure	1,045,150	3,046,859
Indigent subsidy	4,554,144	6,325,715
ICT services	552,568	531,187
Insurance	590,215	80,662
MSIG expenditure	269,129	782,828
Lease rentals on operating lease	3,233,277	2,326,205
Levies	10,223	12,597
Licence fees	7,469,527	167,390
Loss on disposal of assets	35,682	-
Subscription & Publication	1,190,191	1,220,781
Other expenses	7,290,592	6,934,710
Legal fees	3,176,498	-
Postage and courier	366,309	293,888
Printing and stationery	186,836	159,012
Rental of buildings	283,642	387,878
Security (Guarding of municipal property)	1,886,293	1,594,901
Stocks and materials	698,847	914,811
Telephone and fax	1,635,609	1,316,591
Training	480,605	101,991
Transport claims	313,869	41,654
Travel - local	510,265	528,578
Uniforms	1,276,373	618,378
Valuation costs	187,237	120,537
	49,003,555	44,639,635

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
27. Employee related costs		
Basic	50,744,773	53,345,921
Bonus	3,401,782	6,158,197
Medical aid - company contributions	4,849,980	4,996,846
UIF	470,934	489,427
SDL	718,273	716,969
Leave pay provision	1,242,884	125,374
Defined contribution plans	10,612,907	10,654,099
Travel, motor car, accommodation, subsistence and other allowances	3,455,849	4,173,329
Overtime payments	2,603,977	2,291,086
Long-service awards	14,358	-
Housing benefits and allowances	1,283,912	1,330,040
Performance bonus	2,168,838	-
Post employment benefits - Actuarial loss	1,384,248	697,039
Current Service Cost	1,098,437	941,819
	84,051,152	85,920,146
Remuneration of municipal manager		
Annual Remuneration	691,652	275,089
Car Allowance	300,000	127,670
Other	-	14,795
Cellphone allowance	21,000	-
Housing subsidy	37,200	-
	1,049,852	417,554
Remuneration of Chief Finance Officer		
Annual Remuneration	523,860	498,000
Car Allowance	253,586	267,986
Cellphone allowance	14,400	-
Contributions to UIF, Medical and Pension Funds	78,414	78,414
	870,260	844,400

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
27. Employee related costs (continued)		
Remuneration of Corporate Service Manager		
Annual Remuneration	266,053	498,000
Car Allowance	60,218	134,400
Cellphone allowance	7,418	-
Contributions to UIF, Medical and Pension Funds	47,394	92,000
Housing allowance	61,818	-
Other	-	120,000
	442,901	844,400
Remuneration of Social Development Manager		
Annual Remuneration	523,358	515,358
Car Allowance	171,939	178,339
Cellphone allowance	14,400	-
Contributions to UIF, Medical and Pension Funds	104,574	93,715
Other	-	35,529
Housing subsidy	61,600	56,988
	875,871	879,929
Remuneration of Infrastructure Planning and Development Manager		
Annual Remuneration	518,916	498,000
Car Allowance	143,344	177,600
Cellphone allowance	22,333	-
Contributions to UIF, Medical and Pension Funds	133,067	108,800
Other	-	60,000
Housing Subsidy	61,600	-
	879,260	844,400
28. Remuneration of councillors		
Mayor	670,199	663,759
Deputy Mayor	540,124	534,973
Speaker	540,124	534,973
Executive Committee Member	288,104	224,561
Councillors	1,547,542	1,614,830
Councillors' pension and medical aid contributions	778,136	285,216
Councillors allowances	486,299	696,598
	4,850,528	4,554,910

In-kind benefits

The Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor and speaker each have the use of separate Council owned vehicles for official duties.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
29. Depreciation and amortisation		
Property, plant and equipment	37,541,731	38,235,629
Intangible assets	436,106	39,084
	37,977,837	38,274,713
30. Finance costs		
Interest on post employment benefits	1,372,259	1,133,225
Borrowings	1,048,491	1,524,051
	2,420,750	2,657,276
31. Bulk purchases		
Electricity	68,479,343	60,069,549
32. Debt impairment		
Debt written off	119,991	12,762,825

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
33. Cash generated from operations		
Surplus	73,045,666	30,854,821
Adjustments for:		
Depreciation and amortisation	37,977,837	38,274,713
Fair value adjustments	(748,486)	(640,246)
Impairment deficit	-	305,345
Debts written off	119,991	12,762,825
Movements in retirement benefit assets and liabilities	3,105,662	1,899,648
Movements in provisions	(2,209,931)	1,659,299
Transfers	12,857,342	-
Changes in working capital:		
Inventories	(52,671)	63,058
Trade and other receivables from exchange transactions	(10,305,858)	109,402,283
Other receivables from non-exchange transactions	(12,703,929)	(702,214)
Prepayments	66,817	(321,882)
Payables from exchange transactions	(3,866,184)	(22,807,482)
VAT	1,427,639	(453,087)
Unspent conditional grants and receipts	2,981,185	1,540,801
Consumer deposits	(11,623)	189,916
	101,683,457	69,812,765
34. Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Unauthorised expenditure	-	29,317,896
Approved by Council or condoned	-	(29,317,896)
Unauthorised expenditure awaiting authorisation	-	-

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
35. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure.		
Opening Balance-	493,315	261,004
Fruitless and wasteful expenditure current year	213,705	493,315
Condoned or written off by council	(493,315)	(261,004)
Fruitless and wasteful expenditure awaiting condonement	213,705	493,315

Fruitless and wasteful expenditure consists of :

Sars penalties	-	272,250
Eskom interest	27,408	141,736
KZN Natal Joints	-	3,073
Litigation	-	75,220
MEPF Late payment penalties	-	1,036
HGM	11	-
DOT	182,631	-
Telkom	3,655	-
	213,705	493,315

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	951,892	796,572
Amount paid - current year	(951,892)	(796,572)
	-	-

Audit fees

Current year subscription / fee	1,384,269	2,921,836
Amount paid - current year	(1,384,269)	(2,921,836)
	-	-

PAYE and UIF

Current year subscription / fee	11,263,413	10,581,479
Amount paid - current year	(11,263,413)	(10,581,479)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	11,433,925	20,817,039
Amount paid - current year	(11,433,925)	(20,817,039)
	-	-

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
36. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	-	1,342,432
VAT payable	85,207	-
	85,207	1,342,432

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding at 30 June 2015.

37. Commitments

Approved and contracted for:

• Infrastructure	24,886,846	17,468,164
• Community	19,921,771	24,830,539
	44,808,617	42,298,703

Approved but not yet contracted for:

• Infrastructure	6,500,000	13,550,171
• Community	2,550,000	-
	9,050,000	13,550,171

This expenditure will be financed from:

• Government grants	33,150,922	55,848,874
• Own Resources	20,707,696	-
	53,858,618	55,848,874

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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38. RETIREMENT BENEFITS AND LONG SERVICE AWARD

Defined benefit plan

The plan is a post employment medical benefit plan.

Post employment health care benefits

Present value of the defined benefit obligation- wholly unfunded	(12,966,960)	(11,242,937)
Net actuarial gains or losses recognised	(1,516,928)	(762,602)
Current service cost	(521,065)	(443,981)
Interest cost	(1,139,661)	(941,280)
Contributions	455,604	423,840
	(15,689,010)	(12,966,960)

Long service awards

Opening balance	(3,031,335)	(2,855,710)
Net actuarial gains and losses not recognised	(132,680)	65,563
Current service cost	(312,012)	(497,838)
Interest cost	(232,598)	(191,945)
Contributions	293,678	448,595
	(3,414,947)	(3,031,335)

PeHCL report

39. CONTINGENT LIABILITIES

- High court matters : Various claims and litigation is in process 2015 R 490 986.18 (2014: R 3 885 986.18)
- Magistrate court matters: Various cases involving Council 2015 R 249 022.28 (2014: R249 022.28)
- Litigation and claims : Various claimand litigation is in process 2015 R 163 850.48 (2014:163 850.40)

40. Related parties

There are no related party transactions that required disclosure for the current financial year.

41. Events after the reporting date

No events after reporting date have been identified for the current financial year.

42. Non Compliance With CIBD

Rehabilitation of Main Street Phase 2	- 13,195,177
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Advertised in 2012/2013 and awarded in 2013/2014.

43. Financial instruments disclosure

Categories of financial instruments

2015

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R	
. Financial instruments disclosure (continued)			
Financial assets			
	At fair value	At amortised cost	Total
Other receivables from non-exchange transactions	-	3,160,970	3,160,970
Consumer debtors	-	22,289,443	22,289,443
Cash and cash equivalents	52,715,848	-	52,715,848
	52,715,848	25,450,413	78,166,261
Financial liabilities			
	At amortised cost	Total	
Trade and other payable from exchange transactions	19,972,985	19,972,985	
Finance lease obligation	5,367,974	5,367,974	
Consumer Deposit	3,954,658	3,954,658	
Long term borrowings	1,388,077	1,388,077	
	30,683,694	30,683,694	

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R	
. Financial instruments disclosure (continued)			
2014			
Financial assets			
	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	14,616,323	14,616,323
Other receivables from non-exchange transactions	-	1,537,516	1,537,516
Cash and cash equivalents	<u>13,522,547</u>	-	<u>13,522,547</u>
	<u>13,522,547</u>	<u>16,153,839</u>	<u>29,676,386</u>
Financial liabilities			
	At amortised cost	Total	
Trade and other payables from exchange transactions	27,792,136	27,792,136	
Finance lease obligation	7,555,182	7,555,182	
Consumer deposit	396,628	396,628	
Long term borrowings	<u>2,185,153</u>	<u>2,185,153</u>	
	<u>37,929,099</u>	<u>37,929,099</u>	
Financial instruments in Statement of financial performance			
2015			
	At amortised cost	Total	
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1,995,639	1,995,639	
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	<u>(2,418,704)</u>	<u>(2,418,704)</u>	
	<u>(423,065)</u>	<u>(423,065)</u>	
2014			
	At amortised cost	Total	
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1,049,476	1,049,476	
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	<u>(2,657,276)</u>	<u>(2,657,276)</u>	
	<u>(1,607,800)</u>	<u>(1,607,800)</u>	
44. Fair value adjustments			
Investment property (Fair value model)	<u>748,486</u>	<u>640,246</u>	

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

46. Changes in accounting policy

The municipality adopted the exempted portion of the following International Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting policy 1. These have been implemented retrospectively as at 30 June 2013:

- GRAP 21 - Impairment of non-cash generating Assets
- GRAP 23 - Revenue from Non exchange Transactions
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

The accounting policies were changed in accordance with these new standards of GRAP and restatements was necessary for GRAP 103, Heritage Assets.

A Budget statement has been included in these financial statements to comply with GRAP 24.

The disclosure of Financial Instruments in Note was changed in accordance with GRAP 104.

None of these GRAP standards had an effect on the financial position of the municipality, nor required any additional treatment prepared by GRAP 3.

47. Electricity losses

2015

The municipality has identified electricity losses in units 3 950 945.75 with an estimated value of R 2 809 517.55.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
. Electricity losses (continued)		
2014		
The municipality has identified electricity losses in units 4 560 150.35 with an estimated value of R 3 242 722.91.		
48. Irregular expenditure		
Opening balance	2,040,086	16,113,378
Add: Irregular Expenditure - current year	39,138	2,040,086
Less: Amounts condoned	<u>(2,040,086)</u>	<u>(16,113,378)</u>
	39,138	2,040,086
Details of irregular expenditure – current year		
Nashua	39,138	156,937
Broadbil Trading 58	-	21,750
My Girl Sibongile Design	-	18,106
	39,138	196,793
Extension of scope of work		
Fast Move Electrical	-	1,843,293
49. SCM DEVIATIONS		
Sole Suppliers	-	372,549
Emergencies	68,645	72,529
Single Providers	146,265	-
One Quotation	7,604	-
Other Deviation	<u>435,380</u>	<u>-</u>
	657,894	445,078
50. VAT payable		
Tax payable	85,207	-
51. Auditors' remuneration		
Fees	<u>3,408,158</u>	<u>3,117,052</u>
52. Budget differences		
Material differences between budget and actual amounts		

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

	2015 R	2014 R
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52. Budget differences (continued)

1. Other Income - Experience decline on building plan fees, cemetery fees and rezoning fees .
2. Property Rates - penalties imposed - This is due to strict debt collection procedures.
3. Government grants and subsidies - Some grants were not transferred to the municipality by Treasury eg Industrial Park and Eco Complex.
4. Public contributions and donations - This is due to uncertainties regarding the nature of contributions and donation .
5. Fines - Due to strict debt collection procedures more temper fees were charged.
6. Debt impairment - Decrease is due to strict debt collection processes.
7. Repairs and maintenance - This is due to cash flows.
8. Bulk purchases - Tight controls on electricity usage on municipal building and facilities.
9. General expenses - Expenditure control committee in place.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

GREATER KOKSTAD MUNICIPALITY
APPENDIX A (NON-AUDITABLE)
SCHEDULE OF EXTERNAL LOANS FOR THE ENDED 30 JUNE 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30	Received during the period	Redeemed / written off during the period	Balance at 31	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			June 2015			July 2015		
LONG-TERM LOANS								
INCA - R 5,800,000.00	12.26%	934-528050	30/06/2016	1,388,078	-	-	1,388,078	
Total long-term loans				1,388,078	-	-	1,388,078	
TOTAL EXTERNAL LOANS								
Short term portion of Long term Loans								
Dec 16				490,606.00		490,606.00		
				490,606.00		490,606.00		

Greater Kokstad Local Municipality
Appendix E(1)

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June
2010**

	Current year	Current year	Variance Rand	Explanation of Significant Variances greater than 10% versus Budget
	2014	2014		
	Act. Bal. Rand	Adjusted budget Rand		
Revenue				
Sale of goods	-	-	-	- (Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-
Rendering of services	-	-	-	-
Rendering of services in agricultural activities	-	-	-	-
Property rates	-	-	-	-
Service charges	104,894,421	-	104,894,421	-
	-	-	-	-
	-	-	-	-
Sales of housing	-	-	-	-
Construction contracts	-	-	-	-
Royalty income	-	-	-	-
Rental of facilities and equipment	757,143	-	757,143	-
Interest received (trading)	-	-	-	-
Dividends received	-	-	-	-
Income from agency services	-	-	-	-
	-	-	-	-
Licences and permits	3,473,497	-	3,473,497	-
	-	-	-	-
Municipal Revenue UD1	-	-	-	-
Municipal Revenue UD2	-	-	-	-
	-	-	-	-
Miscellaneous other revenue	-	-	-	-
Administration and management fees received	-	-	-	-
Fees earned	293,678	-	293,678	-
Commissions received	-	-	-	-
Royalties received	-	-	-	-
Rental income	-	-	-	-
Discount received	-	-	-	-
Recoveries	-	-	-	-
Other income 1	-	-	-	-
Other income 2	2,810,005	-	2,810,005	-
Financial instruments -	-	-	-	-
Fee income	-	-	-	-
Other income - (rollup)	-	-	-	-
Other farming income 1	-	-	-	-
Other farming income 2	-	-	-	-
Other farming income 3	-	-	-	-
Other farming income 4	-	-	-	-
Other farming income	-	-	-	-
Government grants	-	-	-	-
Interest received - investment	1,995,639	-	1,995,639	-
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	114,224,383	-	114,224,383	-

Greater Kokstad Local Municipality
Appendix E(1)

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June
2010**

	Current year 2014	Current year 2014		
	Act. Bal.	Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
<hr/>				
Expenses				
Personnel	(84,051,155)	-	(84,051,155)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(4,850,528)	-	(4,850,528)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(37,541,731)	-	(37,541,731)	-
Impairment	-	-	-	-
Amortisation	(436,106)	-	(436,106)	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(2,420,750)	-	(2,420,750)	-
Debt impairment	(119,991)	-	(119,991)	-
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses				
Repairs and maintenance	(5,582,405)	-	(5,582,405)	-
- General				
Repairs and maintenance	-	-	-	-
- General				
Bulk purchases	(68,479,343)	-	(68,479,343)	-
Contracted Services	-	-	-	-
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(49,003,552)	-	(49,003,552)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	(252,485,561)	-	(252,485,561)	-
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	748,486	-	748,486	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-

Greater Kokstad Local Municipality
Appendix E(1)

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June
 2010**

	Current year 2014	Current year 2014			Explanation of Significant Variances greater than 10% versus Budget
	Act. Bal.	Adjusted budget	Variance		
Taxation	-	-	-	-	
Discontinued operations	-	-	-	-	
	748,486	-	748,486	-	
Net surplus/ (deficit) for the year	(137,512,692)	-	(137,512,692)	-	

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Supplementary Information

GREATER KOKSTAD MUNICIPALITY APPENDIX F (NON-AUDITABLE)																			
GRANTS AND SUBSIDIES RECEIVED - 2013/2014																			
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003																			
Name of Grants	Name of organ of state or municipal entity	Unspent portion 2012/2013 financial statements	July to Sept	Oct to Dec	Jan to Mar	April to June	Total Receipts	July to Sept	Oct to Dec	Jan to Mar	April to June	Total Expenditure	Unspent portion 2013/2014 financial statements	Grants and subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant framework in the latest Division of Revenue Act	Reason for non-compliance		
			1	2	3	4		1	2	3	4								
Equitable Share	National Treasury		19,079,000	15,983,000	11,988,000		47,950,000	(19,079,000,00)	(15,983,000,00)	(11,988,000,00)		(47,950,000,00)	-	NO	N/A	YES	N/A		
MIG	DPLG	2,546	12,167,000		6,175,000		18,344,546	(5,800,904,50)	(3,714,770,81)	(7,472,137,46)		(16,327,429,74)	17,116	NO	N/A	YES	N/A		
PMG	National Treasury		1,650,000		-		1,550,000	(83,225,14)	(748,159,96)	(93,830,71)		(1,550,000,00)	-	NO	N/A	YES	N/A		
MSIG	LGTA		690,000		-		890,000		(545,263,65)	(239,347,68)		(105,388,77)	(890,000,00)	-	NO	N/A	YES	N/A	
SPORTS AND RECREATION	Cooperative Gov and Traditional Affairs	3 059		500,000		503,099		-	-	-		(301,504,00)	(301,504,00)	201,595	NO	N/A	YES	N/A	
LED GRANT	LGTA				-									-	NO	N/A	YES	N/A	
HOUSING	Department Of Housing	1,925,088	-	794,968	326,807		3,046,859	(757,708,00)	(794,966,00)	(1,167,377,77)		(328,807,20)	(3,046,859,97)	0	NO	N/A	YES	N/A	
ARTS AND CULTURE	Department of Arts and Culture		1,221,000		240,000		1,461,000		(297,812,93)	(279,141,72)		(230,357,20)	(653,688,15)	(1,461,000,00)	-	NO	N/A	YES	N/A
SMALL TOWNS REHABILITATION	Cooperative Gov and Traditional Affairs			8 000 000			8,000,000	(83,894,99)	(691,016,48)	(937,983,56)		(3,067,685,26)	(4,780,580,29)	3,219,418	NO	N/A	YES	N/A	
HORSESHOE HOUSING	Department Of Housing	1 199 600	10 498	10 257	10 798	12 142	1,244,325		-	-				1,243,325	NO	N/A	YES	N/A	
PEOPLES HOUSING	Department Of Housing	26 425	26	68	65	68	26,650		-	-				26,650	NO	N/A	YES	N/A	
EXPANDED PUBLIC WORKS PROGRAMME	Dept of public Works		-	400 000	300 000	300 000	1,000,000	(174,942,16)	(203,239,70)	(261,522,54)		(369,896,60)	(1,000,000,00)	-	NO	N/A	YES	N/A	
IDP COMMUNITY PARTICIPATION	Cooperative Gov and Traditional Affairs	85 672			-	-	85,672		-	-				85,672	NO	N/A	YES	N/A	
MUNICIPAL EXCELLENCE AWARDS	DPLG		-	-	-	-	-		-	-			-						
LIGHT INDUSTRIAL PARK				208 897	875 544	5 942 579	6,127,420		(208,896,71)	(605,422,25)	(5,311,100,38)		(6,127,419,34)						
BHAYAMOYA ECO-COMPLEX				49 248	1 160 262		1,209,510		(49,248,00)	(1,073,371,33)	(84,890,23)		(1,209,509,58)						
			3 242 426	36 517 524	25 348 464	21 978 376	5 854 785	31 435 981	(27 177 468)	(20 842 549)	(10 312 394)		(18 911 981)	(85 644 392)	4 751 776				